



## **OXFORD ANALYTICA**

### **INDIA**

### **MONETARY TRANSPARENCY**

**Country Report 2005**

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# INDIA



## COMPLIANCE RATINGS

	2005	2004	2003	2002
<i>Fiscal transparency</i>				
...				
Clarity of roles	...	...	...	...
Open decision process	...	...	...	...
Availability of information	....	....	....	....
Accountability	....	....	....	....
<b>Score</b>	<b>3.50</b>	<b>3.50</b>	<b>3.50</b>	<b>3.50</b>

## OUTLOOK & COMMENTARY

India has continued its commitment to improving monetary transparency. A new technical advisory committee has been meeting to discuss monetary policy for the quarter ahead. Their advice is then passed on to the central board of the Reserve Bank of India's for its meetings. Although no formal legislation has been passed, this is a step towards a monetary policy committee.

However, although several other small improvements have been made to the operations of the RBI, further progress in transparency - such as statutory autonomy for the RBI, and a clearer outline of its objectives - is impeded by the continuing lack of an amendment to the RBI Act of 1934. There are no plans to publish an advance meeting schedule, or the minutes and voting record of board meetings.

## EXECUTIVE SUMMARY

### 3.50 Enacted

In the past year, India has continued its commitment to improving monetary transparency. Since the start of this fiscal year, a technical advisory committee has been meeting to discuss monetary policy for the quarter ahead. Their advice is then passed on to the central board of the Reserve Bank of India (RBI) for its meetings. Although no formal legislation has been passed, this is a step towards a monetary policy committee. The Central Board has also begun to release quarterly reviews in addition to the mid-term reviews on annual policy previously released.

Since 2002 the RBI has been reducing its shares in some of the financial institutions it regulates, and now holds no stake in the Securities Trading Corporation of India and has less than a 60% stake in the State Bank of India. It has also started to put in place measures to make India's troubled urban co-operative banks (UCBs) more professional, making use of the recommendations from a Standing Advisory Committee for UCBs.

However, there has been no progress in addressing legal impediments to monetary policy transparency. The absence of statutory autonomy for the central bank, a clearer outline of the RBI's objectives and responsibilities, and more stringent accountability measures remain important obstacles to Indian compliance with the IMF's monetary transparency code. The RBI Amendment Bill – which should resolve many of these outstanding issues - has been stalled in parliament since 2001, although it should now be passed in the winter session of parliament.

In addition, the publication of information on monetary policy decisions and the assumptions that underpin such decisions, while improving, could still benefit from greater openness and transparency. The RBI does not publish an advance meeting schedule, nor does it plan to disseminate the minutes, or the voting record, of board meetings. The new clearing operation for settlement of government securities has not yet been put into operation.

India's overall score is unchanged from last year.

## 1. CLARITY OF ROLES, RESPONSIBILITIES AND OBJECTIVES OF CENTRAL BANKS



Enacted

### The objectives and institutional framework of monetary policy

#### Central bank objectives and responsibilities

The Reserve Bank of India Act (RBI Act) of 1934 specifies that the bank's main objective is monetary stability. Implicitly though, the bank achieves this objective via price stability and economic growth. In the absence of a legally enshrined mandate for the central bank, the Ministry of Finance (MoF) and the Reserve Bank of India (RBI) set annual monetary policy objectives jointly, which the RBI then implements. Although not based on a formal arrangement, this regime allows the central bank to set monetary policy objectives as it deems necessary, while the government also plays a part in setting monetary objectives and exchange rate policy.

The RBI Act entrusts the RBI with the core tasks of issuing bank notes, managing reserves to ensure monetary stability, and operating the currency and credit system. It also charges the RBI with responsibility for managing the accounts of the central government (and individual states under separate agreements); managing public debt, regulating and supervising commercial banks and non-banking financial intermediaries; managing foreign exchange; and formulating and implementing monetary policy.<sup>1</sup> However, it is the government that sets the exchange rate.<sup>2</sup> The RBI Act implicitly gives the RBI the authority to use monetary policy instruments to attain its policy objectives.

There is some concern over possible conflicts of interest between ownership and regulation, which is leading to a clearer definition of the regulatory role of the RBI. Accordingly, the RBI recently decided to constitute a working group on avoidance of conflicts of interest, tasking it with identifying the sources and nature of potential conflicts of interest and the international and domestic practices to mitigate this.<sup>3</sup> More generally, the RBI is currently aiming to 'increase the operational efficacy of monetary policy, redefine the regulatory role of the RBI, strengthen prudential norms and develop the technological and institutional infrastructure.'<sup>4</sup>

Separately, the RBI has completed a progress review on the implementation of the recommendations of the report of the 11 Advisory/Technical Groups constituted by the Standing Committee on International Financial Standards and Codes. The report has been considered by a panel of advisers, and a draft report was placed in the public domain in December 2004.

#### Operational autonomy

The RBI is not formally independent, but enjoys substantive operational autonomy in the use of its instruments and in administrative matters. The central government has the power to appoint and remove members of the Central Board of Directors, the main executive organ of the RBI. Commentators have stated that despite a lack of institutional guarantees, no member of the RBI's senior management has ever been removed for political reasons.<sup>5</sup> To our knowledge, this has not changed.

In 1999, the RBI set up an advisory group to review transparency in monetary and financial policies. The group made several recommendations for adapting the formal monetary policy-making framework to international standards, including: granting a single, legally enshrined mandate to the RBI; greater operational flexibility for the conduct of monetary policy; clear demarcation of responsibilities and accountability; and a legal obligation to seek

parliamentary approval for annual monetary policy objectives. The RBI accepted some of these suggestions and submitted an RBI Amendment Bill to parliament in 2001 to amend the central bank law accordingly.<sup>6</sup> This should be passed in the next winter session of parliament. However, the decoupling of debt management and monetary policy remain core objectives.<sup>7</sup>

## **Institutional relationship between monetary and fiscal operations**

### **Lending to government**

The RBI is permitted to extend loans and advances to the central government and state governments, provided that such advances are repaid within three months. In addition to lending to commercial and state cooperative banks, the RBI may also grant loans and advances to local authorities, state financial corporations, the Industrial Development Bank, the Reconstruction Bank, and a host of public financial institutions affiliated to the government, provided that such loans are repaid within six months.<sup>8</sup> Consolidated data on such loans are included in the weekly summary financial statements, and the monthly, quarterly, and annual balance sheets that the RBI publishes on its website.<sup>9</sup>

As a result of the Fiscal Responsibility and Budget Management (FRBM) Act, the government is no longer be allowed to borrow from or maintain an overdraft with the RBI from 2005-06.<sup>10</sup> The RBI is also working on improving full disclosure of information concerning government guarantees. Contingent liabilities are already explicitly stated in the budget. There is fairly widespread confidence that the provisions of the FRBM Act provide a solid foundation for consolidation and achievement of existing monetary policy objectives.<sup>11</sup>

### **Central bank involvement in the rest of the economy**

The RBI's involvement in the rest of the economy is clearly proscribed by the RBI Act. The RBI cannot engage in trade or otherwise have a direct interest in commercial enterprises, and is banned from acquiring shares in banks and corporations.<sup>12</sup> The RBI has been reducing its financial stake in some of the financial institutions it regulates since 2002, and it now has zero holding in the Securities Trading Corporation of India and less than a 60% stake in the State Bank of India.<sup>13</sup>

### **Central bank profit allocation**

The RBI is required by the RBI Act to pay its profits to the central government after making provisions for non-performing loans, the depreciation of assets, staff salaries and other obligations. Such obligations include an annual contribution of such amounts as the RBI considers necessary to the National Rural Credit Fund and the National Rural Credit Stabilisation Fund.<sup>14</sup> In this capacity, the RBI undertakes quasi-fiscal development functions on behalf of the government. These contributions are listed as non-tax revenue in the budget.

## **Agency roles performed by the central bank on behalf of the government**

The RBI manages the internal debt and accounts of the central and state governments, regulates foreign exchange transactions in India, performs quasi-fiscal development functions, and regulates the securities market. As the government's debt manager, the RBI was previously allowed to participate in the primary market for government securities. However, the FRBM Act prohibits direct borrowing by the central government from the Reserve Bank starting in the fiscal year 2006-07, except by way of Ways and Means Allowances to meet temporary mismatches in receipts and payment, or under exceptional circumstances. The RBI may, however, buy or sell central government securities in the secondary market.<sup>15</sup>

With the aim of adding to transparency and stability in the debt market, the RBI began to announce a calendar for issuing government debt in 2002.<sup>16</sup>

In addition to managing the government debt, the RBI regulates the government securities market.<sup>17</sup> The government has established a separate Clearing Corporation of India Limited (CCIL) to improve the clearing and settlement of transactions in government securities.<sup>18</sup> The CCIL received positive marks in a recent internal review. The CCIL has been given approval in principle for implementation of a clearing arrangement for OTC derivatives and guidelines are being framed. The CCIL has already developed pricing and risk models for this process, and the clearing arrangement is expected to be in operation in the near future.<sup>19</sup>

## 2. OPEN PROCESS FOR FORMULATING AND REPORTING MONETARY POLICY DECISIONS



### The framework, instruments and targets of monetary policy

#### Framework and monetary targets

From the mid-1980s until 1998, the RBI used a monetary-targeting framework focused on interest rates, while at the same time monitoring developments in the real sector. Since 1998, it has widened the framework and begun to pursue a multiple-indicator approach. In addition to monitoring interest rates, the RBI now considers indicators such as currency movements, the exchange rate, the inflation rate, capital flows, trade, the fiscal position, and movements in credit. This widening of the scope of variables monitored has encouraged the RBI to develop a more sophisticated econometric model that focuses on short-term movements in the components of reserve money.<sup>20</sup>

The RBI does not use an inflation targeting approach, although it has conducted some research in this area and the advisory group has recommended its introduction. The RBI does not favour its implementation though, believing that monetary policy cannot be standardised across countries, and that dual objectives of price stability and economic growth are more suited to India currently.<sup>21</sup> At present, the RBI uses the Wholesale Price Index (WPI) as its main inflation indicator, although the WPI does not include services, which make up more than 50% of GDP. A more comprehensive price index would have to be developed before inflation targeting could be introduced. India's unwieldy finances pose another problem to the successful operation of an inflation-targeting framework, and therefore its introduction seems unlikely in the near future.<sup>22</sup>

The monetary policy framework has changed recently as a result of reforms in the financial sector and the export-led economic growth. Monetary policy has aimed to 'enhance the allocative efficiency of the financial sector, preserve financial stability and improve the transmission mechanism of monetary policy by moving from direct to indirect instruments.'<sup>23</sup> Monetary policy will continue to focus on the provision of adequate liquidity to meet credit growth while maintaining price stability and maintaining the RBI's preference for relatively flexible interest rates, giving greater flexibility to the interest rate structure in the medium term.

#### Monetary instruments

The RBI continues its policy of active demand management of liquidity using a number of monetary policy instruments. Those mainly used are the Liquidity Adjustment Facility (LAF), open market operations, the Cash Reserve Ratio (CRR) and, lately, a Market Stabilisation Scheme. The LAF, introduced in 2000 allows for the daily modulation of liquidity conditions and the management of short-term interest rates through the LAF window. Meanwhile, the RBI signals policy changes through the bank rate, which is the rate at which the RBI is prepared to buy or rediscount bills of exchange or other commercial paper eligible for purchase under the RBI Act. The RBI reactivated the bank rate and introduced a fixed repo rate in parallel to freeing interest rates on government securities in 1997. These two rates are used as an informal corridor in the money market, with the repo rate as the floor and the bank rate as the ceiling.<sup>24</sup>

Two important revisions were made to the RBI's main monetary policy instruments in 2004. Firstly, the LAF was revised in March 2004 on the basis of recommendations by the RBI's Internal Group on LAF. These revisions de-

emphasise the sterilisation role played by the LAF in order to allow it to emerge as the exclusive policy-signalling rate.<sup>25</sup> Secondly, following the recommendations of the RBI's Working Group on the Instruments of Sterilisation, the Market Stabilisation Scheme (MSS) was introduced in April 2004 to strengthen the RBI's ability to conduct monetary policy and manage the exchange rate. Under the scheme, Treasury Bills and dated securities are issued to conduct sterilisation operations.<sup>26</sup> Essentially, the MSS now occupies much of the sterilisation role formerly played single-handedly by the LAF.

## **The monetary policy-making body**

### **Monetary board**

The Central Board of Directors is the highest executive organ of the RBI. The board consists of the governor, four deputy governors, fourteen directors, and a government representative (usually from the MoF), all appointed by the government. Membership of the board is listed in the RBI's *Annual Report* and on the RBI's website. The board is required to meet at least six times a year, and at least once in each quarter. However, the committee of the Central Board (which includes the governor, deputy governors, and a number of directors) meets every week to review monetary, economic, and financial conditions and to advise the board on policy action. Much of the data used by this committee is released to the public within a week of the board's meeting.<sup>27</sup>

An advisory group has recommended the formalisation of the committee of the Central Board into a permanent Monetary Policy Committee (MPC). In practice, however, the committee already performs the tasks of an MPC and the RBI does not see an immediate need for this institutional change. Similarly, it does not consider it necessary to amend the RBI Act to provide institutional guarantees against the arbitrary removal of top management officers, as the government has never interfered in the running of the RBI for political reasons.<sup>28</sup> According to RBI officials, the IMF does not see the creation of a Monetary Policy Committee as a strictly necessary reform. However, since the start of this fiscal year, a technical advisory committee (consisting of the governor, the deputy governor and four independent individuals) has been meeting more or less every quarter to discuss monetary policy for the next quarter. Their advice is then passed on to the central bank board for their meetings. Although informal, this is a step towards a monetary policy committee.<sup>29</sup>

### **Advance meeting schedule**

The RBI does not publish an advance meeting schedule of the committee of the Central Board.

## **Public statements on monetary policy**

The RBI maintains an informative daily press release service on its website and publishes notifications on new regulations on a regular basis. These documents shed some light on the considerations that prompted policy action.

The Central Board of Directors meets twice yearly and the approximate timing of meetings is known to policy-makers and investors, even if the exact date is not published in advance. The conditions by which monetary policy is made are also made relatively transparent via a series of statements, documents and speeches.<sup>30</sup> The advisory group has recommended the publication of the minutes of board meetings and the release of voting records at a later stage.<sup>31</sup> While the RBI recognises that its explanation of monetary policy to the public could be improved, it has not made a decision on the changes proposed by the advisory group.<sup>32</sup>



### **Periodic publications**

Until this year, the RBI issued two major monetary policy statements each year: the governor's annual *Statement on Monetary and Credit Policy*, issued in April, and a *Mid-term Review of Monetary and Credit Policy*, published in October. However, as of this year, it also releases a *Quarterly Review*.<sup>33</sup> The RBI also publishes a *Report on Trends and Progress in Banking*, which is submitted to the MoF in November each year.

The governor's annual *Statement on Monetary and Credit Policy* contains a detailed sectoral review of macroeconomic and monetary policy developments in the previous fiscal year and an assessment of the prospects for monetary (and fiscal) policy in the upcoming year. The *Mid-term Review* presents a similar review for the first half and an outlook statement for the second half of the fiscal year. Both documents, as well as an advance calendar of the exact disclosure dates, are published on the RBI website. The *Annual Report* of the RBI summarises these two statements and explains the rationale for, and instruments used in, the RBI's monetary and credit operations during the reference year.<sup>34</sup>

### **Public hearings**

The RBI has begun to hold consultations with academics, market participants, and financial intermediaries through various *ad hoc* committees in order to develop the efficiency of monetary policy.<sup>35</sup> Periodic consultations with the MoF are employed to coordinate the overall economic policy framework and to improve banking sector surveillance and regulation. The RBI also conducts frequent resource management discussions with commercial banks.

## **Regulations on data reporting by financial institutions to the central bank**

Under the RBI Act, the RBI is obliged to publish a consolidated statement showing the aggregate liabilities and assets of all banks that fall under its supervision, based on the financial statements and credit information submitted to it. The Act also empowers the RBI to employ such measures as it deems necessary to collect the required information. Such information may include financial statements, and data on capital, reserves, liabilities, investments, and the terms of loans provided. However, the RBI is prohibited from disclosing confidential information to the public.

The advisory group has criticised this aspect of the supervisory function of the RBI and pointed out that the disclosure of supervisory information, such as the imposition of penalties, could be employed as a useful instrument for market discipline. In response to this criticism, and given the added emphasis of the Basel II rules on market discipline, the RBI advised all banks in October 2004 that all cases of penalty imposed by RBI and also strictures or directions on specific matters will be placed in the public domain.<sup>36</sup>

Furthermore, such information may be necessary in the light of the poor disclosure practices of Indian banks. While it is unlikely that the RBI Act will be amended to allow for the disclosure of confidential banking information, the RBI has recently adopted a new prompt corrective action framework to deal with banks experiencing problems of capital adequacy, asset quality or profitability. Moreover, the RBI has also called for the establishment of a new supervisory body to oversee India's troubled Urban Co-operative Banks (UCBs). A Standing Advisory Committee on UCBs has been formed, and a 'vision' document for the future of UCBs, including issues of regulation and supervision, has been drafted. On the basis of feedback from this document, a medium-term framework for UCBs is being developed. UCBs are subject to dual control by the RBI and state governments and the vision document envisages harmonisation of their approaches for facilitating the development of the sector. The RBI has signed MoUs with three state governments, and is in the process of entering MoUs with other states which have a sizeable number of UCBs. The MoUs envisage the drawing up of an action plan through state level Task Forces on UCBs for

revival of weak UCBs. It provides for a structured arrangement for coordination and consultation as well as the professional management of UCBs.<sup>37</sup>

The RBI has set up a Prudential Supervisory Reporting System (PSRS) for Off-Site Surveillance (OSS). As part of its efforts to comply with the 'Core Principles for Effective Banking Supervision' drawn up by the Basel Committee on Banking Supervision, the RBI is making efforts to move towards a system on consolidated supervision, for enhancing the role of external auditors, and for increasing transparency and disclosure in the balance sheets of banks.<sup>38</sup> The RBI is implementing prudential norms in a phased manner.

The RBI has established a Central Database Management System (CDBMS), built around an integrated repository of current and historical data. RBI users have been able to access this database since December 2002.<sup>39</sup>

### 3. PUBLIC AVAILABILITY OF INFORMATION ON MONETARY POLICY

●●●● Compliance in progress

#### Release of central bank data

As a subscriber to the IMF Special Data Dissemination Standard (SDDS) since 2001, India provides a range of macroeconomic, financial, and monetary statistics. Within this framework, the RBI is responsible for the provision of financial data, such as the analytical accounts of the banking sector, the analytical accounts of the central bank, interest rates, the balance of payments, international reserves and foreign currency liquidity, and exchange rates. It also disseminates data on two stock market indices on behalf of the Bombay and National Stock Exchange. The government meets the specifications for coverage, periodicity, and timeliness in all data categories with two exceptions. The first is timeliness of data on general government operations, for which it takes a flexibility option, and the second is the periodicity and timeliness for the labour market, for which it takes 'as relevant' flexibility options.<sup>40</sup>

There are two publications relating to reserve assets -- the *Gross Foreign Exchange Reserves* of the RBI, released weekly, and the *International Reserves and Foreign Currency Liquidity*, released monthly. The time lag in the publication of the two documents is one week and one month, respectively. Data on exchange rates cover spot exchange rates and different forward rates for the rupee against the US dollar. These rates are published daily, within two weeks of the reference date. The data are available on the RBI website and on CD-ROM, and an advance release calendar, giving one-quarter ahead notice of the precise release dates, is posted on the RBI website. Data on external debt are now published quarterly in the *RBI Bulletin*, which contains all the requisite details including short-term, long-term, multilateral, bilateral, government and non-government debt. However, the IMF has commented that there is still a lag of two to three months for the publishing of some data such as that covering forward liabilities and interventions.<sup>41</sup>

India has a National Summary Data Page, which is linked directly to the IMF's Dissemination Standards Bulletin Board website.

#### The central bank balance sheet

As part of its SDDS commitment, the RBI publishes a summary balance sheet in its weekly *RBI Bulletin*. The monthly *RBI Bulletin* disseminates detailed time series data on the RBI balance sheet, including weekly data for the reference month, monthly data for the four months preceding the reference month, and annual data for the three fiscal years preceding the current fiscal year. The RBI's *Annual Report* publishes data and commentary for the reference fiscal year on the annual balance sheet of the RBI and detailed data on reserve money on a financial year basis. The annual *Handbook of Statistics on the Indian Economy* publishes time series data on the components and sources of reserve money. Moreover, the RBI publishes daily information on money market operations, showing the volume of transactions by banks, primary dealers, and non-bank institutions, daily average interest rates, the status of the liquidity adjustment facility, and the net purchases and sales of the RBI made in connection with its open market operations.<sup>42</sup>

## **Lender of last resort**

The RBI Act empowers the RBI to extend emergency financial support to Indian commercial banks and financial institutions if ‘a special occasion has arisen making it necessary or expedient that action should be taken for the purpose of regulating credit.’<sup>43</sup> However, the Act does not specify the terms of emergency loans and advances granted to distressed banks, nor does it require the RBI to disclose details of emergency actions to the public. The RBI indicates that it has not used these powers since 1992.<sup>44</sup>

The RBI last acted as lender of last resort for the Global Trust Bank in July 2004, providing emergency liquidity that successfully prevented the banks from collapsing. Global Trust Bank’s balance sheet was restructured and the bank merged with a public-sector bank, the Oriental Bank of Commerce.

## **Public information services**

The RBI has established and maintains a high-quality public information service through its website. The site provides a comprehensive, user-friendly publications programme consisting of reports, statistics, primers, press releases, and working papers on a variety of macroeconomic, monetary, and financial issues. Relative to other countries, the RBI releases a substantial amount of information.

Regular publications are classified by frequency of publication under weekly, monthly, quarterly, annual, and occasional headings. Reports of RBI committees as well as speeches and lectures by senior RBI officials are also available on the RBI website.<sup>45</sup>

## 4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY BY THE CENTRAL BANK

●●●● Compliance in progress

### Accountability before a designated public authority

Under the constitution and the RBI Act, the RBI must submit its *Annual Report* to the MoF, which then submits it to parliament. RBI officials are generally summoned before parliamentary committees in cases that have a direct bearing on the operations of the RBI. Under the 1949 Banking Regulation Act, the RBI must also submit its *Report on Trends and Progress in Banking* to parliament and to the MoF each November. This report summarises the activities of the central bank as banking regulator and supervisor, and is publicly available.

The advisory group has criticised this regime and proposed the enhanced involvement of parliament in the setting of annual monetary policy objectives, but it has shied away from calling for the direct accountability of the central bank to the legislature. The RBI considers that the current institutional arrangement guarantees a reasonable amount of accountability to parliament, and therefore does not support a switch to direct parliamentary accountability.<sup>46</sup>

### Financial statement

#### Audited financial statement

The central bank is required by the RBI Act to submit to the government its audited final accounts and a report on its yearly activities within two months of the end of the fiscal year. This report is published on the central bank website as part of the RBI *Annual Report*. The RBI Act commits the government to publish the RBI's audited annual financial statement in the *Gazette of India*.<sup>47</sup>

#### External and internal audit

The external auditors of the central bank are appointed by the government to examine and report on the RBI balance sheet and financial accounts. While other government agencies are audited by the Comptroller and Auditor General of India (CAG), the accounts of the RBI are audited by private accounting firms on a rotating basis. In FY2003-04, the accounts of the RBI were audited by J. L. Sengupta & Co., Kolkata; S. N. Nanda & Co., New Delhi; Khimji Kunverji & Co., Mumbai; P. B. Vijayaraghavan & Co., Chennai; Ford Rhodes Parks & Co, Mumbai; and Rajendra K. Goel & Co., New Delhi.<sup>48</sup>

The RBI also carries out a regular Management Audit and Systems Inspection, which focuses on internal compliance with prescribed systems and procedures and evaluates efficiency and economy in operations.<sup>49</sup>

### Conduct of officials

The RBI Act has clear provisions on potential conflicts of interest for employees. RBI staff cannot be simultaneously employed by the RBI and private banks, and they must renounce their directorial functions in private banks prior to joining the RBI. The RBI also publishes staff regulations stating that bank employees must not seek or accept outside employment without the RBI's permission, or accept gifts, engage in commercial business, or

speculate in securities. Transactions in real estate also require the consent of the RBI. Officials must report the employment of their children by any financial institution the RBI regulates, to ensure the integrity of appointments.

The RBI Act also provides protection for the acts of RBI officials carried out in good faith. No suit or legal proceeding can be brought against bank staff who act in good faith to carry out regulations or directions issued by the RBI, even if their actions have caused or are likely to cause damage.<sup>50</sup>

## INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following officials during a visit to India between 15 and 18 November 2005.

### Reserve Bank of India (RBI)

#### 18 November 2005

Michael Debabrata Patra	Advisor	Monetary Policy Department
Himanshu Joshi	Director	Monetary Policy Department
M.K. Sagar	Director	Monetary Policy Department

### Ministry of Finance

#### 16 November 2005

S. C. Pandey	Officer on Special Duty	Fiscal Responsibility & Budget Management
Anuradha Prasad	Director	Budget Division
V. Chentil	Joint Secretary	

## ADDITIONAL INTERVIEWS

#### 15 November 2005

Michael Wattleworth	Senior Resident Representative	IMF
Renu Kohli	Senior Economist	IMF
Sudip Mohapatra	Economist	IMF

#### 16 November 2005

Kapil Kapoor	Sector Manager-South Asia	World Bank
Mohan Naharajan	Senior Economist	World Bank
Ramesh Kolli	Deputy Director General	Central Statistical Organisation

#### 17 November 2005

H. Mukhopadhyay	Economist	ADB
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## NOTES

- <sup>1</sup> Reserve Bank of India Act (1934), Law Publishers India Ltd., Preamble, Chapter III, Sections 7, 20, 21, Chapter III-B, Section 45-JA, Chapter IV, Section 58; *Report of the Advisory Group on Transparency on Monetary and Financial Policies*, RBI, September 2000, Section 3.5.
- <sup>2</sup> Foreign Exchange Management Act (1999), [www.indialawinfo.com/](http://www.indialawinfo.com/); RBI Act, Chapter III, Section 40.
- <sup>3</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2004-2005*, RBI, 26 October 2004, p.38.
- <sup>4</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2003-2004*, RBI, 3 November 2003.
- <sup>5</sup> Interviews in India, 8-14 October 2002.
- <sup>6</sup> *Report of the Advisory Group on Transparency on Monetary and Financial Policies*, RBI, September 2000, Sections 2.4, 3.6, 3.7, 3.9; Reddy, Y., 'Parameters of Monetary Policy in India', RBI, 15 January 2002, p. 12.
- <sup>7</sup> Interviews in India, 5-7 October 2004.
- <sup>8</sup> RBI Act, Chapter II, Section 17.
- <sup>9</sup> RBI website, [www.rbi.org.in/](http://www.rbi.org.in/)
- <sup>10</sup> The Fiscal Responsibility and Budget Management Act, No. 29 of 2003, Article 5.
- <sup>11</sup> Interviews in India, 5-7 October 2004.
- <sup>12</sup> RBI Act, Chapter II, Section 19.
- <sup>13</sup> Interviews in India, 15-18 November 2005.
- <sup>14</sup> RBI Act, Chapter IV, Section 46.
- <sup>15</sup> Interviews in India, 5-7 October 2004.
- <sup>16</sup> Implementation of Budget Announcements (2002-2003), February 28, 2003.
- <sup>17</sup> Tahir, M., 'Managing Public Debt - Issues and Challenges', pp. 1, 5. 2002.
- <sup>18</sup> Tahir, M., 'Managing Public Debt - Issues and Challenges', p. 5. 2002.
- <sup>19</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2004-2005*, 26 October 2004, RBI, p.32 and Interviews in India, 15-18 November 2005.
- <sup>20</sup> Reddy, Y., 'Parameters of Monetary Policy in India', RBI, 15 January 2002, pp. 7, 10, 13.
- <sup>21</sup> Interviews in India, 5-7 October 2004 and 15-18 November 2005.
- <sup>22</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2001-2002*, RBI, 22 October 2001, Section 12; Interviews in India, 8-14 October 2002.
- <sup>23</sup> Reserve Bank of India, *Annual Report*, August 27 2003.
- <sup>24</sup> Reddy, Y., 'Parameters of Monetary Policy in India', RBI, 15 January 2002, p. 7.
- <sup>25</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2004-2005*, RBI, 26 October 2004, p.24.
- <sup>26</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2004-2005*, RBI, 26 October 2004, p.7.
- <sup>27</sup> For more information on the board and sub-committees, see Reddy, Y., 'Parameters of Monetary Policy in India', RBI, 15 January 2002, p.6.
- <sup>28</sup> *Report of the Advisory Group on Monetary Transparency*, Sections 3.9, 5.2, 5.7; Interviews in India, 8-14 October 2002.
- <sup>29</sup> Interviews in India, 15-18 November 2005.
- <sup>30</sup> Interviews in India, 5-7 October 2004.
- <sup>31</sup> *Report of the Advisory Group*, Section 5.11.
- <sup>32</sup> Reddy, Y., 'Parameters of Monetary Policy in India', RBI, 15 January 2002, p. 5; Interviews in India, 4-8 October 2004.
- <sup>33</sup> Interviews in India, 15-18 November 2005.
- <sup>34</sup> *Annual Report 2004-2005*, RBI, 30 June 2005.
- <sup>35</sup> *Annual Policy Statement for the Year 2004-2005*, RBI, p.22.
- <sup>36</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2004-2005*, RBI, 26 October 2004, p.36.
- <sup>37</sup> Interviews in India, 15-18 November 2005.
- <sup>38</sup> *Annual Report 2002-2003*, RBI, 27 August 2003.
- <sup>39</sup> *Mid-Term Review of Monetary and Credit Policy for the year 2004-2005*, RBI, 26 October 2004, p.41.
- <sup>40</sup> [dsbb.imf.org/Applications/web/sddsctycatsoolist/?strcode=IND](http://dsbb.imf.org/Applications/web/sddsctycatsoolist/?strcode=IND)
- <sup>41</sup> IMF 2004 *Article IV Consultation*, March 2005 at: <http://www.imf.org/external/pubs/ft/scr/2005/cr0586.pdf>
- <sup>42</sup> 'Statistics', RBI website, <http://www.rbi.org.in/>
- <sup>43</sup> RBI Act, Chapter II, Section 18.
- <sup>44</sup> Interviews in India, 26 September-1 October 2001.
- <sup>45</sup> 'Publications and Speeches', RBI website, [www.rbi.org.in/](http://www.rbi.org.in/)



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<sup>46</sup> Interviews in India, 8-14 October 2002.

<sup>47</sup> Comptroller and Auditor General of India (CAG): [www.cagindia.org/audit\\_latest.htm](http://www.cagindia.org/audit_latest.htm)

<sup>48</sup> *Annual Report* 2003-2004, RBI, p.210.

<sup>49</sup> *Annual Report* 2003-2004, RBI, p.206.

<sup>50</sup> RBI Act, Chapter IV, Section 58-A.